
LOUISIANA SCHOOL BOARDS ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011



A Professional Accounting Corporation

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LOUISIANA SCHOOL BOARDS ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana School Boards Association
Baton Rouge, Louisiana:

We have audited the accompanying consolidated statements of financial position of the Louisiana School Boards Association (a nonprofit organization) (the Association) as of June 30, 2012, and 2011, and the related consolidated statements of activities and changes in net assets and cash flows, for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Louisiana School Boards Association as of June 30, 2012, and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of Louisiana School Boards Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated schedules of functional expenses on pages 15-16 are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Poottethwaite & Netterville

Baton Rouge, Louisiana
December 13, 2012

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS:</u>		
Cash - Unrestricted	\$ 85,816	\$ 80,104
Cash - Restricted litigation fund	95,406	137,658
Investments - LAMP	816,123	739,817
Accounts receivable:		
Federal programs	-	7,989
Other (less allowance for doubtful accounts of \$6,000)	3,106	9,950
Prepaid expenses	10,192	7,994
Other current assets	55,550	550
	<u>1,066,193</u>	<u>984,062</u>
<u>NON-CURRENT ASSETS:</u>		
Property and equipment (net of accumulated depreciation)	62,736	68,341
	<u>62,736</u>	<u>68,341</u>
Total non-current assets	<u>62,736</u>	<u>68,341</u>
Total assets	<u><u>\$ 1,128,929</u></u>	<u><u>\$ 1,052,403</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 2,063	\$ 3,615
Accrued leave	41,378	49,040
Deferred membership dues	15,259	9,128
	<u>58,700</u>	<u>61,783</u>
Total current liabilities	58,700	61,783
<u>NON-CURRENT LIABILITIES:</u>		
Claims payable	87,390	184,679
	<u>87,390</u>	<u>184,679</u>
Total liabilities	<u>146,090</u>	<u>246,462</u>
<u>NET ASSETS:</u>		
Temporarily restricted - Litigation fund	95,406	137,658
Unrestricted	887,433	668,283
	<u>982,839</u>	<u>805,941</u>
Total net assets	<u>982,839</u>	<u>805,941</u>
Total liabilities and net assets	<u><u>\$ 1,128,929</u></u>	<u><u>\$ 1,052,403</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Federal - Grant funds received	\$ -	\$ 230,579	\$ 230,579
Dues revenue	714,085	-	714,085
Workshop registration & sponsorship	46,275	-	46,275
State convention	197,271	-	197,271
Advertising	42,740	-	42,740
Second injury fund reimbursement	25,360	-	25,360
NSBA reception sponsorship	12,900	-	12,900
QZAB program	15,000	-	15,000
Other	162,474	-	162,474
Net assets released from restrictions	272,831	(272,831)	-
 Total revenues and other support	 1,488,936	 (42,252)	 1,446,684
Expenses:			
Program services:			
Program services	1,002,459	-	1,002,459
Support services:			
Management and general	267,327	-	267,327
 Total expenses	 1,269,786	 -	 1,269,786
 Change in net assets	 219,150	 (42,252)	 176,898
<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>668,283</u>	<u>137,658</u>	<u>805,941</u>
<u>NET ASSETS AT END OF THE YEAR</u>	<u>\$ 887,433</u>	<u>\$ 95,406</u>	<u>\$ 982,839</u>

The accompanying notes are an integral part of these financial statements.

2011		
Unrestricted	Temporarily Restricted	Total
\$ -	328,262	\$ 328,262
721,876	-	721,876
122,485	-	122,485
225,011	-	225,011
45,085	-	45,085
35,789	-	35,789
11,400	-	11,400
15,000	-	15,000
13,037	1,499	14,536
355,409	(355,409)	-
1,545,092	(25,648)	1,519,444
1,103,407	-	1,103,407
304,350	-	304,350
1,407,757	-	1,407,757
137,335	(25,648)	111,687
530,948	163,306	694,254
<u>\$ 668,283</u>	<u>\$ 137,658</u>	<u>\$ 805,941</u>

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 176,898	\$ 111,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,752	7,349
Bad debt expense	6,575	-
Decrease (increase) in:		
Federal program receivables	7,989	3,516
Other receivables	269	10,135
Other assets	(57,198)	2,704
Increase (decrease) in:		
Accounts payable and accrued expenses	(95,049)	7,321
Net cash provided by operating activities	<u>47,236</u>	<u>142,712</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(2,147)	(4,559)
Purchase of Investments	<u>(76,306)</u>	<u>(166,719)</u>
Net cash used in investing activities	<u>(78,453)</u>	<u>(171,278)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Claim payments - workman's compensation claims	(30,683)	(38,746)
Second injury reimbursment - workman's compensation claims	<u>25,360</u>	<u>35,789</u>
Net cash used in financing activities	<u>(5,323)</u>	<u>(2,957)</u>
Net decrease in cash	(36,540)	(31,523)
Beginning cash balance	<u>217,762</u>	<u>249,285</u>
Ending cash balance	<u><u>\$ 181,222</u></u>	<u><u>\$ 217,762</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Association

The Louisiana School Boards Association (LSBA) is a federation of the public school boards of Louisiana. LSBA has sponsored progressive school legislation, advocated improved teaching through increased salaries for teachers and administrators, adopted a code of ethics for school board members, and through its own activities and through cooperation with other educational agencies has stressed that efficient public schools are the foundation of American democracy.

LSBA is a nonprofit organization as described in Section 501(c) (4) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Support

LSBA receives grants from the public sector. The grants are for specific purposes and are passed through the State of Louisiana Department of Health and Hospitals to provide coordination of School Health Advisory Councils in 27 school boards charged to develop and implement comprehensive school wellness policies to address tobacco use, nutrition, and physical activity within Louisiana public schools including grades K-12. This grant is expenditure-driven and expenditures are reimbursed.

Revenue

LSBA receives revenue from the private sector. Dues are collected from school boards in Louisiana and are based on revenue at the respective school boards. Conventions are held for school board members and other related entities and individuals whereby LSBA collects exhibit fees, registration fees, and sponsor fees. Workshops are held for school board members and other related entities and individuals approximately once every quarter to provide educational information. LSBA also collects advertising revenue for the LSBA publications and membership to the CAPS Corporate Affiliate Program, which is a program where members receive certain advertising benefits.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board under *ASC No. 958 Not-for-Profit Entities*.

LSBA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets and permanently restricted net assets. Accordingly, the net assets of LSBA and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to grant stipulations or donor restrictions.
- *Temporarily restricted net assets* - Net assets subject to grant stipulations that will be met either by actions of LSBA and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to grant stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of LSBA pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all cash accounts held at financial institutions and cash on hand.

Restricted Cash

Restricted Cash consists of funds collected from member school boards for the purpose of funding a lawsuit collectively filed by member school boards. A corresponding amount is recorded as temporarily restricted net assets in the Statement of Financial Position.

Investments

LSBA maintains an investment account in an investment pool and are carried at fair value.

Advertising

LSBA expenses advertising costs as they are incurred.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment is capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Building	31 Years
Office equipment	5 Years
Office furniture	7 Years

Accounts Receivable

An amount of \$6,000 is recorded as an allowance for bad debts for the year ended June 30, 2012 and 2011. Accounts receivable net of the allowance is a reflection of the Statement of financial position.

Functional Expenses

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the various programs and administrative services based on estimates made by management.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tax Exempt Status

LSBA is a nonprofit organization exempt from the income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (4) and the Louisiana Revised Statutes; therefore, no provision has been made for federal and state income taxes.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status (Continued)

LSBA applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, LSBA has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on LSBA.

LSBA’s tax returns for the years ended June 30, 2009, 2010 and 2011 remain open and subject to examination by taxing authorities. LSBA’s tax return due date for the year ended June 30, 2012 has been extended and will be filed by the extended due date.

Principals of Consolidation

The consolidated financial statements include the accounts of the LSBA and the Louisiana School Boards Insurance Trust (LSBIT). LSBIT is consolidated since LSBA has both an economic interest in LSBIT and control of LSBIT through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

2. ACCOUNTS RECEIVABLE

Accounts Receivable – Federal programs at June 30, 2012 and 2011 represent amounts due from the Louisiana Department of Health and Hospitals. All accounts receivable are deemed collectable and as such, no reserve for bad debts has been recorded.

3. INVESTMENTS

Investments are comprised of deposits with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

LAMP is an investment pool and participants' investments in the pool are evidenced by shares of the pool. LAMP is rated AAAm by Standard & Poor's. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP assets consist of no securities with a maturity in excess of 397 days. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

The investment in LAMP is stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. The balance in LAMP as of June 30, 2012 is \$816,123 and \$739,817 as of June 30, 2011.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2012:

Buildings	\$ 162,479
Furniture & Fixtures	38,858
Automobile	12,302
Equipment & Computers	<u>118,991</u>
	332,630
Less Accumulated Depreciation	<u>(269,894)</u>
Total	<u>\$ 62,736</u>

Depreciation expense for the year ending June 30, 2012 was \$7,752.

The following is a summary of property and equipment at June 30, 2011:

Buildings	\$ 162,479
Furniture & Fixtures	38,858
Automobile	12,302
Equipment & Computers	<u>116,844</u>
	330,483
Less Accumulated Depreciation	<u>(262,142)</u>
Total	<u>\$ 68,341</u>

Depreciation expense for the year ending June 30, 2011 was \$7,349.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. FEDERAL GRANTS

Federal grants received from the State of Louisiana Department of Health and Hospitals totaled \$230,579 for the year ended June 30, 2012 and \$328,262 for the year ended June 30, 2011.

6. COMMITMENTS AND CONTINGENCIES

LSBA is a defendant in a lawsuit, in which a former employee alleges breach of employment contract and is seeking reinstatement to his former position or a contract buy out, which includes back pay and benefits, including but not limited to retirement contributions, life and health insurances premiums and vacation and sick leave. Legal council has advised LSBA that the lawsuit is in the discovery stage but it is at least reasonably possible that the Plaintiff will be awarded up to \$500,000. No liability has been recognized on the statement of financial position.

7. FINANCIAL INFORMATION ABOUT MEMBERS OF THE CONSOLIDATED GROUP

The Louisiana School Boards Insurance Fund (LSBIT) is a nonprofit trust established by LSBA to consolidate the workers' compensation insurance coverage for the member school boards in Louisiana. LSBIT provided workers' compensation insurance to its members through June 30, 1987. No coverage for initial workmen's compensation injuries occurring after June 30, 1987 has been provided by LSBIT. LSBIT remains liable for amounts due on remaining open claims for injuries which occurred prior to the June 30, 1987 date.

LSBIT limits the maximum net losses by reinsuring with other insurers under reinsurance contracts. In the event that all or any of the reinsuring companies might be unable to meet their obligations under existing reinsurance agreement, LSBIT would be liable for such defaulted amounts.

The accounts of LSBIT are included in the consolidated financial statements. LSBIT's accounts include an insurance reserve liability of approximately \$87,000 and \$185,000 as of June 30, 2012 and 2011, respectively. LSBIT's cash and cash equivalents were approximately \$55,000 and \$66,000 as of June 30, 2012 and 2011, respectively. During the year ended June 30, 2012, LSBIT's accounts included second injury insurance fund reimbursements of approximately \$25,000 and claims and other administrative expenses of approximately \$32,000.

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INFORMATION ABOUT MEMBERS OF THE CONSOLIDATED GROUP
(Continued)

The following table provides a reconciliation of the beginning and ending reserve balance for workman's compensation claim losses, net of reinsurance and Second Injury Fund reimbursements:

	Year Ended <u>June 30, 2012</u>
Reserves, net of recoveries estimated at beginning of the year	\$ 184,679
Deduct payments, net of reinsurance and Second Injury Fund refunds, for claims that have occurred in prior years.	<u>(97,289)</u>
Reserves, net of reinsurance and Second Injury reimbursement estimates at end of the year	<u>\$ 87,390</u>
Estimated recoveries, at end of year, reported as a reduction of reserves for losses	<u>\$ 312,970</u>

8. AFFILIATES AND RELATED PARTIES

Three former employees of LSBA had previously retired from East Baton Rouge Parish School Board. LSBA disburses payments to East Baton Rouge Parish School Board for the post-employment health and dental insurance premiums on behalf of these former employees. LSBA is reimbursed for the premiums by the former employees periodically. During the year ended June 30, 2012, LSBA disbursed \$1,635 on behalf of the employees, and was reimbursed \$1,239 by the employees. The difference of \$325 is included in accounts receivable on the statement of financial position.

LSBA provides an administrative service to Louisiana School Board Attorneys (LSB – Attorneys) by collecting member dues and disbursing funds on behalf of this organization. The total amount collected during the year ended June 30, 2012 was \$ 775. The total amount disbursed during the year ended June 30, 2012 was \$2,000. The cumulative effect of collections and disbursements on behalf of LSB – Attorneys resulted in an amount owed to LSB – Attorneys of \$1,075, which is reflected in the accounts payable caption in the consolidated statement of financial position

LOUISIANA SCHOOL BOARDS ASSOCIATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. AFFILIATES AND RELATED PARTIES (Continued)

During the year ended June 30, 2012, LSBA – PAC was formed with essentially the same governing Board of Directors as LSBA. During the year ended June 30, 2012, LSBA made a contribution to LSBA – PAC in the amount of \$500. Subsequent to the year ended June 30, 2012, LSBA – PAC reimbursed LSBA \$1,400 for cost incurred by LSBA on behalf of LSBA – PAC.

9. SUBSEQUENT EVENT

LSBA has evaluated subsequent events through the date that the financial statements were available to be issued, December 12, 2012, and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

LOUISIANA SCHOOL BOARDS ASSOCIATION
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Administrative	Program	Total
	Expenses	Expenses	
EXPENSES:			
Salaries	\$ 73,714	\$ 294,858	\$ 368,572
Payroll Taxes	7,145	28,580	35,725
Employee Benefits	7,073	28,291	35,364
Advertising and Promotional	44,205	-	44,205
Publications	-	23,918	23,918
Depreciation	7,752	-	7,752
Bad Debt Expense	658	5,917	6,575
Legislative Services	-	96,529	96,529
Grant Funds Distributed	-	230,579	230,579
Insurance	30,902	7,725	38,627
Dues	-	13,548	13,548
Technical and Professional Services	35,362	-	35,362
Legal Fees	16,514	66,058	82,572
Repairs and Maintenance	5,383	-	5,383
Board Meetings	20,140	-	20,140
Conventions, workshops and travel	-	133,250	133,250
Postage and Telephone	4,190	6,285	10,475
Utilities	5,230	-	5,230
Machines, Supplies, Repairs	4,865	19,460	24,325
Workman's compensation claims	-	30,683	30,683
Miscellaneous Expense	4,194	16,778	20,972
 Total Expenses	 \$ 267,327	 \$ 1,002,459	 \$ 1,269,786

The accompanying notes are an integral part of these financial statements.

2011			
Administrative Expenses		Program Expenses	Total
\$	89,712	\$ 358,849	\$ 448,561
	6,292	25,169	31,461
	7,445	29,779	37,224
	65,719	-	65,719
	-	24,541	24,541
	7,349	-	7,349
	-	-	-
	-	89,907	89,907
	-	229,500	229,500
	37,297	9,324	46,621
	-	8,292	8,292
	9,385	-	9,385
	16,054	64,216	80,270
	2,699	-	2,699
	12,320	-	12,320
	-	192,411	192,411
	4,505	6,758	11,263
	6,200	-	6,200
	5,937	23,747	29,684
	-	38,746	38,746
	33,436	2,168	35,604
<hr/>			
\$	304,350	\$ 1,103,407	\$ 1,407,757
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Louisiana School Boards Association
Baton Rouge, Louisiana:

We have audited the financial statements of the Louisiana School Boards Association (a nonprofit organization) (the Association) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and identified as 2012-1 and 2012-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the Association, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville
Baton Rouge, Louisiana
December 13, 2012

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified

- Material weakness(es) identified? _____ yes X none reported
- Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

- Noncompliance material to financial statements noted? _____ yes X none reported

Findings – Financial Statement Audit

2012-1 Fixed Assets

Criteria: Internal controls should be designed to safeguard assets and prevent and detect timely unauthorized transactions.

Condition: The Association does not maintain an inventory listing of fixed assets. Further, there is no capitalization policy that dictates which expenditures are to be capitalized.

Effect: Unauthorized transactions may not be prevented or detected timely.

Cause: The Limited number of staff.

Recommendation: We recommend that the Association develop a fixed asset inventory listing. We further recommend that the inventory listing be reviewed annually, primarily to verify the existence of the assets on the list. In addition, we recommend that a capitalization policy be established that provides a capitalization threshold. We recommend a capitalization minimum threshold of \$500 (i.e. every asset with a purchase price below \$500 would be expensed and not capitalized). Having the threshold helps streamline and simplify the accounting.

Management's Response: Management concurs and will implement improved controls immediately.

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2012-2 Revenue and Receipts

Criteria: Internal controls should be designed to safeguard assets and prevent and detect unauthorized transactions on a timely basis.

Condition: The Association does not reconcile convention and workshop attendance records for each event to the revenue recordation in the general ledger. Further, when a member/attendant registers and pays at the function, employees are involved in collecting payments and registration forms.

Effect: Workshop and convention payments may be recorded improperly.

Cause: Incompatible duties were not adequately segregated.

Recommendation: We recommend that the attendance records be reconciled to the revenue recordation in the general ledger for the workshop and convention events. We further recommend that the duties of collecting registration cards and collecting cash at the events be segregated.

Management's Response: Management concurs and will implement improved controls immediately.

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS

Findings – Financial Statement Audit

2011-1 Disbursements

- Condition:
1. Invoice approval – Invoice approval procedures are not being implemented consistently. As such, numerous expenditures are being disbursed without the scrutiny of an individual who has the authority to approve the expenditures.
 2. Blank checks – Blank checks are accessible to all employees.
 3. Vendor creation in system – Vendors are created in the accounting system without prior authorization.
 4. Signatures – Checks require two signatures. Three people are authorized to sign checks, which are the board president (changes from year to year), the executive director, and the director of business and finance (currently an unoccupied position). The signature of the board president has previously been applied as a stamp, kept in a drawer in the accountant's office. The accountant, who does not have signing authority is responsible for changing authorized signer status at the bank.
 5. Wires – Wires are initiated by the accountant who also performs accounting and reconciliation duties.
 6. Credit cards and expense reports – There are two (2) employees with LSBA credit cards. There is no requirement for these employees to get pre-approval or document the business purpose of charges to the credit cards.

- Recommendation:
1. Invoice approval – We recommend that LSBA reemphasize the need to have the Executive Director, or someone else who is independent of disbursing funds, approve the invoices prior to disbursement.
 2. Blank checks – We recommend that blank checks be controlled in a place that only authorized personnel have access too. Further, the numerical sequence of the checks should be monitored and controlled.
 3. Vendor creation in system – We recommend that the accountant obtain authorization from the Executive Director prior to creating vendors. If that is not practical, consider producing a list of vendors periodically for review and approval by the Executive Director.
 4. Signatures - The Board President's signature stamp is no longer used. His signatures are currently done manually. We recommend that LSBA continue with using manual signatures instead of stamped signatures, and dispose of any stamps that contain signatures. In addition, we recommend that a third

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS

authorized signer be added. This person should not be someone that performs accounting or reconciliation procedures. Further, we recommend that one of the authorized signers be responsible for initiating the additions and deletions of authorized signers with the bank and review the list of authorized signers periodically.

5. Wires – We recommend that the accountant’s ability to initiate wires be revoked and assigned to someone independent of accounting duties.
6. Credit cards and expense reports - We recommend that employees be required to complete expense reports supporting the business purpose of credit card charges and have these expense reports approved by the Executive Director. The Executive Director’s expense reports should be approved by the Board President or another officer of the Board.

Current Status: Resolved.

2011-2 Payroll

Condition:

1. Personnel file – Tax and health insurance information for each employee is maintained in the accountant’s office and is accessible to all employees.
2. Payroll review and approval – Payroll is processed semi-monthly. No payroll reports are generated and reviewed.

Recommendation:

1. Personnel file – We recommend that confidential employee information be secured in a locked room safe.
2. Payroll review and approval – We recommend that payroll reports be generated and approved by the Executive Director prior to disbursement of funds.

Current Status: Resolved .

2011-3 Bank Reconciliations

Condition: Monthly bank reconciliations are prepared by the accountant. However, the bank reconciliations and bank statements are not reviewed and approved.

Recommendation: We recommend that the Executive Director review the bank reconciliations monthly and indicate his review by initialing monthly reconciliation.

Current Status: Resolved.

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS

2011-4 Fixed Assets

Condition: The Association does not maintain an inventory listing of fixed assets. Further, there is no capitalization policy that dictates which expenditures are to be capitalized.

Recommendation: We recommend that the Association develop a fixed asset inventory listing. We further recommend that the inventory listing be reviewed annually, primarily to verify the existence of the assets on the list. In addition, we recommend that a capitalization policy be established that provides a capitalization threshold. We recommend a capitalization minimum threshold of \$500 (i.e. every asset with a purchase price below \$500 would be expensed and not capitalized). Having the threshold helps streamline and simplify the accounting.

Current Status: Recurring. See Finding 2012-1.

2011-5 Revenue and Receipts

Condition: The Association has not maintained attendance records and receipt logs of convention and workshop fees. Further, the duties of receiving and depositing payments were not segregated. As a result, over the course of 8 years, approximately \$200,000 of convention and workshop fees was diverted from being deposited in LSBA's bank account. Approximately \$30,000 was attributable to the year ended June 30, 2011.

Recommendation: We recommend that the Association establish procedures whereby membership and attendance records for conventions and workshops be maintained and reconciled to accounting records. We further recommend that access to receipts be restricted to individuals who do not have accounting and reconciliation responsibilities. Duties should be segregated, meaning that the person recording the receipt should not be the same as that making the deposit. Additionally, a person independent of recorder and depositor responsibilities should reconcile the deposit to the general ledger.

If staff is limited, LSBA should consider using a lockbox provided by the fiscal agent. We further recommend that payments at functions be prohibited. If a lockbox is not utilized then LSBA should provide for a separate P.O. Box designated for payments. Access to this P.O. Box should be restricted to individuals who do not perform accounting and reconciliation tasks.

LOUISIANA SCHOOL BOARDS ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS

Current Status: Partially resolved. See Finding 2012-2.

2011-6 Late Filing

Condition: This audit of LSBA was not completed within six months of the close of the fiscal year. The six month deadline was December 31, 2011.

Recommendation: We recommend that LSBA plan and begin audits with sufficient time to complete by the deadline imposed by Louisiana R.S. 24:513.

Current Status: Resolved.